



15 February 2008

Dear Colleague

MEDIA HEADLINES

You may well have seen a number of media reports on Iceland, Landsbanki and Icesave in recent days raising questions over the stability of Icelandic banks and the security of customers saving with Icesave. Whilst we have seen such headlines before from time to time, it is important that everyone associated with Icesave is armed with the true facts to enable you to give anyone who may be concerned reassuring and accurate information.

I want to assure you that we are making every effort at the present time to ensure that journalists and other commentators are as informed as they can be both on the health and strength of Landsbanki and on the safety and security of Icesave deposits.

Should you, your friends or family be concerned by these headlines I would reiterate that Icesave and Landsbanki are in robust good health with extremely sound finances and ample liquidity. The facts are as follows:

- Landsbanki is one of the most important financial institutions in Iceland and is key to the stability of the country's financial system (like Barclays, HSBC, Lloyds TSB in the UK).
- Landsbanki has no direct or indirect exposure to the US sub prime market or related structured vehicles like CDO's, CLO's, SIV's etc that has created losses more many banks around the world.
- Landsbanki is highly profitable and, at a time when many US, European and UK banks are expected to report losses or significantly reduced profits, Landsbanki reported stable profits of €520m for 2007.
- Landsbanki remains strongly capitalised with exceptional liquidity (amongst the strongest of the European banks), €33bn in total assets and €8.9bn of liquid assets as at 31 December 2007.
- Landsbanki is not dependant on the Icelandic economy as it is a diversified international bank. 42% of its loan book and 46% of its net operating income for 2007 was from outside Iceland.
- Iceland as a country enjoys the highest possible credit rating (AAa) with a strong fiscal position. Iceland is the sixth richest economy in the OECD as ranked by GDP purchasing power by capita. Its economy is anchored by sectors unaffected by the current downturn, such as food production, technology, natural resources and energy production.
- Landsbanki is strengthened by a very high ratio of customer deposits to loans so we are not heavily reliant on the wholesale markets for funding. Our ratio of 70% is similar or better than many other banks including HBOS at 57.5%, Lloyds TSB at 72% and Bradford and Bingley at 60%
- Landsbanki's credit rating (Aa3) is strong and implies high credit quality and strong capacity for payment of financial commitments. It is equivalent to, if not higher than, a number of other financial businesses operating in the UK including Abbey, Alliance & Leicester, Anglo Irish, Bradford and Bingley and ICICI. This reflects its very strong Tier 1 capital levels which are higher than most European banks.
- Like investors with any UK bank, Icesave customers receive full deposit protection of up to £35,000 (£70,000 for joint customers). This deposit protection is provided by the Icelandic compensation scheme and topped up from the UK financial compensation scheme. Contrary to some reports, in the extremely unlikely event of a claim ever needing to be made there is unlikely to be any delay in compensation payment being made compared to a UK-only scheme.

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Despite the recent headlines, we are pleased to say that Icesave continues to grow and the past few days have seen record breaking growth in new accounts being opened – averaging at around 1,000 per day – bringing the total of active accounts to over 150,000.

I am sure that as the facts become better absorbed, the current negative coverage on Icelandic banks will subside. We need to continue to focus on what we do best - giving our customers outstanding service and plenty of good reasons to continue to do business with us. The level of interest in us, rather than other international banks, is inevitable given Icesave's success and high profile. Certainly I believe some of this is more a by-product of competitors being discomfited by our success than any significant concerns about our undoubted strength.

In the meantime please visit the various Group websites via the intranet if you would like more information or contact me directly if you have any questions.



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ICESAVE